Demand and supply of economic knowledge in transition countries

Wagener, Hans-Jürgen

Hans-Jürgen Wagener

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1. The market situation

The number of students who enrolled for studies in the field of economics (in the broad sense) has increased dramatically in the transition countries of Central and Eastern Europe since 1990. In Hungary and Poland, for instance, it has reportedly multiplied by a factor of 11. This reflects a fundamental shift in the relevance of economic knowledge in post-communist society in general, and in particular a rising demand for market-related know-how – a veritable demand shock. The wholesale rise in demand can be appropriately split between a demand for suitably educated people (managers, accountants, administrators, bankers, tax experts, marketing experts, economic policy advisers, etc.), a demand for economic analysis (market research, law and economics, macro-economic analysis, etc.), and a demand for teachers. The basic question now is how supply can meet this demand shock.

The normal reaction to a demand shock, after inventories have been depleted, is an increased effort on the supply side, in our case more courses in economics and business administration, perhaps new schools, and more capacity for research, perhaps new institutes. In teaching, this has happened all over the region, but in research it has not. Evidently, the supply reaction entails a time factor. The production of additional know-how takes time, at least the period required to obtain a degree. The production of additional research requires either idle capacities or structural shifts from less demanded sectors of knowledge, provided human capital is malleable in the given case, or it will have to await new output from the education sector. In the short run, we may conjecture an increase in capacity utilization, which, among other things, boils down to a higher student/teacher ratio, and an increase in the wages of those who have the required know-how and of those who are able to produce such know-how, trainers, teachers, scholars, etc., if labor markets are sufficiently flexible. The first aspect can be read from the statistics (in Poland, for instance, the student/teacher ratio in management and economics rose by a factor of 4). Whether the latter has happened, too, remains to be seen.

The particular historical situation, however, entails a major constraint for an adequate supply reaction: the transformation of the political and economic systems in Central and Eastern Europe has depreciated the stock of human capital and the available knowledge rather seriously. In other words, if Samuelson's dictum that "economics is what economists do" is correct, economics under the old regime was a completely different type of science than what is needed under the new regime of a capitalist market economy. There are two reasons for this. First, the different economic order: a centrally planned economy has different economic problems than a competitive market economy. Open economies have a different orientation than relatively closed ones. The primacy of politics over economics results in a degeneration of economic argument even if politics ought to be interested in an efficient use of its scarce resources. And second, the different economic ideology: according to Western economic philosophy, a different economic order may well constitute a different set of constraints for economic activity, but the fundamental "laws" of economic activity remain the same, i.e., they are of a universal character. Hence the basics of economics, i.e., micro-economics and its applications, such as labor economics, institutional economics, the economics of education and of health, etc., should be applicable everywhere and should be the basis of any academic teaching in economics.

This was not the view of Marxism-Leninism or the economic ideology of the communist regimes. They considered Western economics an apologetic bourgeois exercise of no interest

whatsoever under a communist regime and based their academic teaching on what was called political economy, which had little resemblance to the classical subject of the same name and which lacked, above all, any micro foundation. The outcome of this state of affairs was that economists under the communist regime learned and practiced a knowledge that was of little avail under different conditions (and, by the way, also of little avail under the system for which it was designed). Such a general statement will have to be qualified later. But it all boils down to the fact that the positive demand shock in the market for economic knowledge was accompanied by a negative supply shock, both shocks being quite substantial. It is not difficult to conclude that there were serious disequilibria and problems.

Let us briefly apply to this situation the usual supply-and-demand analysis, the Marshallian cross. If the demand schedule shifts to the right and the supply schedule shifts to the left, we should get a new short-term equilibrium with a considerably higher price. Prices can be assumed to be sticky in one part of the market, especially the public market for economic knowledge (teaching, fundamental research), and flexible in another part of the market, especially the private market for economic knowledge (also teaching, applied research, the professions, management). In such a case, scarce resources will move from the public to the private market segment and we observe what I should like to call internal brain drain: able people stop teaching and doing research at the universities and the Academy institutes and become bank managers or business consultants. From the point of view of academia, this may be seen as a process of spontaneous adverse selection, as it was called in the Bulgarian comment. Its economic rationale, however, is hardly disputable. What the long-term equilibrium will be, will not be clear until after a longer period of time when long-term demand behavior has settled and the supply reaction has clarified.

2. Cognitive dissonance

The next question, therefore, addresses the state of economics at the time of the turnaround, above all, the state of knowledge of Western or market-related economics. A distinction must be made between what was taught as economics and what was thought to be economics. The differences in the region seem to be significant. We may distinguish open countries adhering to an enlightened Marxism or even notional Marxism from closed countries with a rather orthodox doctrine and, hence, little or no access to Western literature and no motivation to explore it. The first group certainly includes Hungary, Poland, and Slovenia, the second Romania, Bulgaria, the former Soviet republics, and, to a degree, also post-68 Czechoslovakia (and definitely, by the way, the GDR).

Even under the regime of enlightened Marxism, curricula were based on the paradigm of Marxist-Leninist political economy. The average student did not become acquainted with micro, macro, or monetary economics. And unorthodox texts like Lange's *Political Economy* or Kornai's *Economics of Shortage* were not admitted as textbooks for introductory economics. But scholars of economics were quite well informed about Western theoretical developments, although they could not really take part in them. With one remarkable exception: mathematical economics – optimal planning and control, operations research, input-output analysis, and some econometrics (good econometrics being hampered by bad statistics; we can already note here that the change in statistical data collecting after 1990 is somewhat underexposed in the reports). Throughout the region, mathematical economics was a niche of relatively unobstructed theorizing with a stress, however, on "mathematical" rather than on "economics". So the load of mainstream theory transported to the East by this route was quite limited.

The tolerance may nevertheless sound surprising, since mathematical economics is used in the West as an instrument to develop and support general equilibrium analysis and for such "apologetic" propositions as the two fundamental theorems of welfare economics. It is not so surprising, on the other hand, if we remember the equivalence proposition of Pareto that perfect competition and perfect planning, other things being equal, lead to the same optimum. In other

words, apart from contributing to methodological advances, mathematical economics could flourish under the guise of the theory of planning – if the censor or party controllers would have made the effort to try to understand it.

In closed countries, the situation was definitely worse. Access to Western literature was very limited and, perhaps because of that, interest in it was lacking – though perhaps things were the other way around. Why should one take the trouble to study this rather hermetic scientific output that was neither compatible with "mainstream" Soviet doctrine nor seemed to be relevant to Soviet economic problems (which certainly was a fallacy, just take principal-agent theory), and that in addition did not particularly help to further one's academic or political career? The lack of interest was accompanied by a lack of understanding. First, the language: closed countries were characterized by poor knowledge of English. Second, terminology and method: marginalism, cost-benefit, utility, opportunity cost – all of that did not exist in Marxist political economy and was hard to understand for the average student of economics, with the exception of the small group of mathematical economists. It may be correct that the jargon of Marxist social theory was recognized as such and used as tribal language to veil interesting intellectual contributions, as the Slovak report remarks, or can be termed pragmatism in party language, as in the Hungarian report. However, this exacts a cost, that of being unable to communicate in another language in which some pertinent theories might be formulated. Such costs were revealed at the moment of system switch, when a new language had to be learned. In open countries, these costs were considerably lower or, as the Slovenian report holds: "In short, 'Marxists' swiftly and softly turned into 'monetarists'", pointing to a different problem, the problem that a change of creed does not preclude a continuity of dogmatism.

The situation at the time of the turnaround was in general the following. The number of graduates in economics (in the broad sense) was not particularly large. They were trained in practical capabilities and in more or less orthodox Marxist-Leninist theory. The normal practice of economic science had been to concentrate on the "what" and the "how" of very down-to-earth problems and to leave aside the "why". That is to say, there was a lack of analytical training, although technical standards could be high: the optimal transportation route for peat can be an intricate operations-research problem. What we hear about the post-reform situation permits the conclusion that not much has changed in this respect. In open countries, there were a number of knowledgeable economic scholars at universities and Academy of Science institutes who, in addition to Marxist-Leninist schooling, if they did not happen to be mathematical economists, were well versed in Western theory, which they had learned either from the available literature or from a stay abroad. In closed countries, such people were much rarer birds. This permits us to conjecture that the depreciation of economic knowledge after the system switch happened all over the region, but was less acute among academic scholars in open countries than in closed ones. It should follow that the supply of market-informed economists was relatively larger in the first group of countries than in the second. It would be rash to jump immediately into conclusions about potential transformation success. However, the hypothesis has been formulated "The earlier the knowledge, experience, and networks needed in the 1990s for a successful adjustment and adaptation to the market economy had been acquired, the more successful was the transformation process." (Meusburger, 2001: 5)

3. Continuity and change

The redefinition of the discipline of economics since 1990 raises the question of continuity and change. Where know-how could not be imported on a large scale, as it was in eastern Germany, continuity rested primarily in human capital. Know-how has been imported, there was remigration, and foreign scholars came for temporary stays, but all this remained on a marginal scale in most countries of the region. Estonia and the Czech Republic were mentioned as exceptions. And then there are those monsters of conditionality and external influence, the International Financial

Institutions (IFIs). The Bulgarian example is perhaps quite informative. For this country, it was stated that the IFIs have been central vehicles of transfer of economic knowledge: the conditionality of advice and financial support led to the adoption of a specific professional language and created data that were previously not used or not available in a predominantly etatist and corporatist environment. This happened in the 1920s as well as in the 1990s. The latter period, however, produced a much more outspoken doctrinal standardization. But let it be clear, it is language rather than content, even if the language transports some kind of "common sense fiscal and monetary policy rules", so the Bulgarian comment. The IFIs have, quite understandably, no genuine theoretical interest in the individual small countries except when they can be used as test cases. Bulgaria was a test case in the 1920s for the League of Nations' stabilization loans and, after 1997, for the introduction of a currency board. The repercussions of such experiments on local theorizing were not remarkable in the first case. In the second they remain to be seen.

In general, the redefinition of the discipline had to be accomplished by those who had been educated under the old system. All countries can be classified as open now, but their differences during the pre-reform period continue to have impact. A typical post-Soviet economist has no pre-reform knowledge of Western economic thought, he has no access to scientific journals prior to 1990, he probably even misses the broader Soviet scientific community, and he is confronted with a new *lingua franca* and a new terminology without sufficient financial means for extensive Western contacts and stays abroad. We find hints in the country reports, although this ought to be analyzed more thoroughly before making valid statements, that there is a continuity in dogmatic background or that the acquired history of economic thinking and of economic thought survives the apparent change in content. This could have been expected, since knowledge is to a great extent embodied in human capital

A typical Slovenian, Hungarian, or Polish economist is much more versatile; he or she possesses, so to speak, two stocks of knowledge from which he can draw information. It will be very hard to detect the actual interference between the two, but since the Marxist doctrine is keyed mainly to distribution, while the neo-classical doctrine is keyed exclusively to efficiency and the neo-Austrian doctrine is keyed to rivalry and anti-etatism, some interesting mixtures can be expected. Eclecticism can be expected to be the normal result and eclecticism is reported in several instances. At the same time, however, strong new orthodoxies are mentioned or even complained of. They may have already built up in the pre-reform period as dissenting fundamental opposition; this is more probable in the formerly open countries. But they can also be the result of the oversupply of new knowledge and of a bounded mental receptivity; this is more probable in the formerly closed countries. On the whole, we can conclude that there is a healthy diversity of views.

The reorientation of curricula and teaching contents can be briefly treated. Economics has become a universal science whose content is determined by Anglo-American standards. Where this has been questioned and a new and original theory for the case of transition has been sought, notably by scholars ignorant of standard theory, as seems to have been the case in Romania and Bulgaria, necessary changes have simply been delayed. It makes little difference whether standard theory is learned from Anglo-American textbooks or from indigenous textbooks. In Western Europe, we observe a slow crowding out of indigenous textbooks (in the national languages) by Anglo-American textbooks (either translated or, more frequently, in English). Small countries, like Scandinavia or the Netherlands, have progressed farther on this route than big countries, like Germany or France; but there the tendency is also visible. Why should it be different in Central and Eastern Europe? The same holds true of the steady crowding out of economics proper by business administration and finance, a phenomenon also reported for the transition countries. This can be ascribed to a greater influence of demand upon academic curricula.

In the context of continuity and change, what happened to the formerly well-developed departments of mathematical economics that were populated by exceptionally able people? At the outset of reform, one could have surmised that from now on, all economics would be

"mathematical", i.e., on the highest level of the discipline and using the most advanced techniques. The Lithuanian report regrets: "Unfortunately, it never happened – due to the inability of many local teachers to do mathematics." This may be so, but there are other forces at work, too. One is internal brain drain – to which I will return in a moment – which is personified most conspicuously in Russia by Boris Beresovsky and Piotr Aven, two able mathematical economists who have found better occupation elsewhere. While formerly the niche of mathematical economics attracted bright minds who were interested in economics, but not in political economy, their scope of choice is now much broader inside and outside of academia. The other factor is demand: What is the use of a solid training in mathematical economics for a future manager or policy maker?

The predominance of the Anglo-American model of a free market system and the teaching of Anglo-American economics is repeatedly mentioned with certain reservations, while the continental social market economy and its doctrinal foundations, as in the German *Theorie der Sozialpolitik*, are missed. This is indeed surprising, since the outcome of transformation is much closer to the continental model than to the Anglo-American one (and this has been dubbed the Klaus paradox of rhetoric and policy). It is even more surprising, since pre-war traditions of economic policy and doctrine in most of the observed countries were continental, mainly German, which at that time meant anti-free-market and mercantilist, but also Bismarckian social policy. Of course, liberal Austrian economics originated in Austria; but it never gained policy relevance there. From reading the post-1990 literature, one would assume that the fields of labor economics and social policy were well developed in the region and could constitute a significant part of the curricula.

4. Change of elite

A new political and economic order presupposes a new elite. In our context this can mean two things. First, a new elite who do things: managers, bankers, and accountants who do business and politicians who shape economic policy. In a quite singular way, the system switch has changed the social importance of trained economists. Under the old regime and the primacy of politics, economists were secondary executives; now, the competitive market order and the task of transformation have made them truly chief executive authorities. Second, a new elite who teach things: the education of such new economic decision-makers calls for academic professors who are versed in the hitherto undervalued sciences. Since, as was remarked earlier, appropriate know-how could be imported only to a marginal extent, the build-up of human capital is a problem of investment requiring time and money. Neither seems to be at hand.

Transformation of the economic order to a competitive market system is one of the very few occasions in history when economists have assumed a leading role in politics. The list of names in the region is long and even the final conference of this project has suffered from this phenomenon, since two scheduled participants did not show up because they just had become cabinet members. One would conjecture that this is more probable in countries with shock or big bang transition than in countries where transition takes place gradually. For in the latter there is no period of exceptional politics requiring non-typical politicians. The distinction between typical politicians, as we know them from new political economy or public choice literature, and non-typical politicians is drawn by Leszek Balcerowicz, who holds: "During special times, such as a grave economic and/or political crisis or a democratic political breakthrough ..., there is far more room for non-typical politicians ..., economic technocrats in a position of political authority. These are professional outsiders who are called on to do a special job of bringing a country out of an economic crisis and/or transforming its economy." (Balcerowicz, 1996: 15) As soon as the period of extraordinary politics is over, the non-typical politician has to make way for or change into the typical one. The career of Ludwig Erhard in Western Germany between 1945 and 1966 is a good example of such a course of events. For the period of transition in Central and Eastern Europe, names like Balcerowicz, Kołodko, Klaus, Bokros, Dăianu, Mencinger, Gaidar, and others easily

come to mind. Whether this state of affairs has improved the status of economic science remains to be seen.

Less spectacular, but none the less absolutely necessary, is a change in the managerial and bureaucratic elite. It may be questioned whether it suffices for the old elite never to have believed in Marxism and socialism and therefore to be able to "adapt to any changes and to any system of values", as the Slovenian report states. Nevertheless, it is a fact that the managerial and bureaucratic elite could not have been replaced in a wholesale manner and, hence, kept their positions. The same is true of academic personnel. This does not imply that there were no changes, indeed there were massive ones. The new system required more managers than the old. For the number of enterprises multiplied and the number of managerial jobs within each enterprise multiplied as well. And the new system required know-how in the business sector, which formerly did not exist: accountants, consultants, analysts in banks, tax specialists, and the like. Such people could come only from the academic sphere, and high salary differentials made it easy for them to switch over. This boils down to a massive internal brain drain from the academic to the business sphere. Quantitatively, the external brain drain is a minor phenomenon compared with the internal one. In qualitative terms, it may be serious, since foreign universities and international organizations, which are the most attractive, select only exceptionally bright people, and East-West income differentials are persuasive.

The normal development was that younger and more flexible scholars left the economic faculties and Academy institutes, while older people stayed on. At the same time, the change in stocks was accompanied by a change in flows, i.e., young graduates chose a career in the comparatively well-paying business sector and could only with great difficulty be lured into doctoral programs and a later academic career. The prospects of an academic career are reported to be rather gloomy because of sticky promotion chances, which is rather astonishing, given the demand for teaching capacity. But demand is not furnished with the necessary financial means, at least in the state sector. Today, those who stay in the academic sphere are still forced to take up multiple full-time jobs teaching in several of the newly established private business schools or working freelance for management consultants. It is not difficult to draw conclusions from this state of affairs about the professional quality of the average teacher, at a time when additional tuition-related research is required, and also about the volume and quality of autonomous scientific research.

5. Lack of fundamental research

Policy controversies – which move minds – are mentioned as missing. Established schools and learned disputes between them can hardly be expected in a region that just emerged from ideological monopoly and whose daily economic problems appear to be almost insoluble. Little wonder that no such fundamental controversies can be observed. As a matter of fact, there were few scholars in the region able to join mainstream debates, as the Hungarian report remarks, Hungary's János Kornai being one of the few exceptions. Indeed, there is enough controversy about actual policy issues. And since transformation studies have opened a new field for research and theorizing, putting economics into a wider context – of law and economics, historical path dependency, social embeddedness, and geographical and cultural influence, for instance – scholars of the region may be expected to join such new interdisciplinary approaches. It is too early to judge whether they have contributed significantly to a development whose sustainability is still open to debate.

Research being chiefly problem-oriented, it sounds reasonable that the first half of the 1990s was dominated by transformation issues, while questions of European integration came to the fore during the second half. Clearly, reform economics supplied the profession with ample opportunity for heated debate. Liberalization, stabilization, and privatization are all policy issues on which there may have been a Washington consensus – but the latter was not shared throughout the

profession. The consensus about what had to be done was remarkably large among economic politicians in most of the countries under review. But the reports also testify to deviating opinions in the scientific community. Such deviating opinions are based, as a rule, either in Keynesian or in socialist doctrinal backgrounds. This is not the place to go into details. Suffice it to say that the substance and style of scientific discourse have converged to Western standards in the region.

Another point of concern in the reports is the lack of serious fundamental research. As a matter of fact, this is what should be expected. Fundamental research is a public good, which implies that in a competitive market of private suppliers and customers there is no demand willing to pay for it. No wonder the private education institutes do not engage in fundamental research. Funding such research is a typical state task or a task for public benefit foundations, which still have to emerge in the post-transformation landscape. In the state institutions, however, the enormous teaching obligations arising from the demand shock and the extreme shortage of funding leave little room for fundamental research, even if we take no account of possibly decreased intellectual capacities due to internal and external brain drain and, as mentioned in the Hungarian report, the lack of a class culture (*Bildungsbürgertum*) of orientation toward research and science. In addition, research is not properly valued, which may be ascribed to a high time-preference, research being a time-consuming investment with a long gestation period.

A high time-preference must be considered normal in a region that is under the impression of having lost 40 years or more under communist rule. The apparent time inconsistency is a general phenomenon in transformation, resulting eventually in short-term policy measures or a policy conundrum. To give just one example: Romania was one of the most closed countries of the communist world. In the 1970s and 1980s, Romanians were even forbidden to study in the Soviet Union. Knowledge of economics was, hence, extremely deficient. After the turnaround, the young generation left the country to be taught in the West. Those in charge of reform, naturally, stayed at home and had to get along with the knowledge they had. It is quite understandable that they tried to make a virtue of necessity and propagated an own Romanian way to the market.

If almost all reports regret that up to now debates on theoretical and methodological issues are missing and scholars are concentrating on policy issues, we may ask again: how could it have been otherwise? The economy of each of these countries is on the path of transition and European integration, and so is its discipline of economics. Policy issues are pressing, which is a second source of the time inconsistency of transformation. At least in the short run, the development of policy making and of management skills is not dependent upon the development of economic science, but much more upon the development of economic education. The development of new theories is *cura posterior*, what is needed are people with a sound background in established knowledge. The Polish report mentions "Nove's law" – the worse the state of economics, the better the performance of the economy and *vice versa* – which was formulated with respect to post-war differences between West Germany and Great Britain: German economics could not compare with British, but British welfare growth fell far behind German. It may be conjectured that a careful comparison of economic education of managers and policy makers can explain the paradox to a great extent (other reasons were, of course, also at work). This brings me to my final point.

6. Business as usual – which business?

It is obvious that all of the reporters and commentators are economists in the narrow sense of the word. Their disregard or even contempt for business economics and finance could not be more outspoken. What they are interested in, and what they consider important for the transition countries, is economics proper, as it has evolved from Adam Smith to Ken Arrow. The conspicuous lacunae of the surveys are business administration, marketing, accounting, taxes, capital markets and finance, i.e., the major part of what the exploding student population is fed upon and what, apparently, is in high demand.

This is a remarkable phenomenon and I wonder whether it is the result of a misunderstanding. It has to do with terminology and traditions prevailing in the region. In the US, you have faculties of economics and business schools, and these are clearly different institutions with different subjects. Competition, so to speak, is inter-industry, not intra-industry. In Germany we have, at least since the late 18th century, *Wirtschaftswissenschaft* (notably in the singular, not in the plural) consisting of *Betriebswirtschaftslehre* and *Volkswirtschaftslehre* (or *Nationalökonomie*), the latter consisting of *Wirtschaftstheorie*, *Wirtschaftspolitik*, and *Finanzwissenschaft.* Curricula are the same for a significant part of these programs. Competition is clearly intra-industry. In other words, if "economics" were translated as "*Wirtschaftswissenschaft*", it would comprise business administration with all its offspring. Today, *Volkswirtschaftslehre*, *économie*, or economics is a universal science determined, as mentioned, to a large degree by Anglo-American standards. All prestigious publication outlets are Anglo-American. For *Betriebswirtschaftslehre*, *gestion*, or business administration, this is much less the case. Here we may discern national schools that materialize in national curricula and national publication practices. The basic difference between Anglo-American business administration and German business economics is that the former is based less on a general scientific doctrine and hence is preferentially taught in the form of case studies, while the latter presents itself as a coherent body of knowledge that is taught, like economics proper, as a doctrinal whole (just see the seminal three volumes of Erich Gutenberg (1951-69)). It is typical that only two of the 133 references in the article *Betriebswirtschaftslehre* in the representative *Handwörterbuch der Wirtschaftswissenschaft* (1977) are English-language books. To the best of my knowledge, the impact of different management educations has not yet been evaluated, but it is perhaps here that the paradox of "Nove's law" can be solved: education in business matters.

We are just now observing a process of globalization of this part of the economic sciences under the leadership of international MBA programs. But it is not yet obvious that Anglo-American standards are superior in this field, as well. Which raises the questions: What are future managers taught? What is the doctrinal basis of the business programs? Is research being done in this field? Where does the knowledge come from? Under the old regime, economics proper was available at least under the guise of the critique of bourgeois ideology, but knowledge of marketing, accounting (which is definitely different from socialist bookkeeping), taxes, capital markets, and the like were simply nonexistent. And this is the instrumental knowledge used to run a firm in a market economy and the market economy itself.

The reports exhibit a kind of social science bias: whatever it may be, business administration is not regarded as a social science on equal footing with political science, sociology, and economics – contrary to German traditions. What shall we do with the orphan now? That depends on the purpose of the exercise. If we are interested purely in the history of science, nothing impedes us from delineating the disciplines under review according to preference. However, if we are interested in the role of economic knowledge in the process of transformation, the discipline has to be defined in a functional way: economics is what economists do, and the vast majority of economists function as managers, accountants, consultants, and the like and are in dire need of the appropriate know-how.

It seems too easy a conclusion to state that all the necessary know-how is available in the West and needs only to be transferred to the East. Of course, economics and business administration are well-developed and well-documented bodies of knowledge – public goods, as said, within the reach of everyone who wants to apply them. Without claiming that these bodies of knowledge represent the immutable Laws of the Market, they arguably lead to satisfactory results within the Western context. This does not necessarily imply that they produce similarly satisfactory results in a non-Western context. The crucial question, now, is whether the transformed Eastern Central European societies bring about Western or non-Western contexts. As long as economics, and even more so business administration, generalizes economic practices conducive to economic success (formulated in terms of socially specific values), their transfer and application should be preceded

by an analysis of their contextuality. To the degree that the theories are logical inferences from axiomatic assumptions, their practical relevance has to be shown in a historical context. Both tasks call for an active indigenous science. The transformation of economics in Eastern Central Europe can be seen as the final phase in the internationalization of the discipline that was performed in Western Europe some 30-40 years earlier. However, it is precisely transformation that has underlined the importance of initial conditions, path dependencies, and cultural embeddedness for economic behavior and policy. So the dialectic of the universal and the specific makes knowledge transfer necessary; but without adaptation to the historical situation, the transplant remains a second best.

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